

HJR

7

# Alaska State Legislature

716 W. 4TH AVE, SUITE 240-A  
ANCHORAGE, ALASKA 99501-2133  
258-8190 FAX: 258-8171



WHILE IN SESSION:  
STATE CAPITOL  
JUNEAU, ALASKA 99801-1182  
465-2435 FAX: 465-2864

## Representative David Finkelstein

### Sponsor Statement for HJR 7

#### Requesting Congress to Lift the Ban on the Export of Alaska Crude Oil

HJR 7 endorses federal legislation removing restraints on the export of Alaska North Slope crude oil, and requests that the President of the United States present a recommendation to lift the oil export ban.

Lifting the export ban will enhance the economic vitality and security of Alaska. Exporting Alaska North Slope crude oil will encourage and facilitate further oil exploration in Alaska and other states, creating a greater degree of national energy self-sufficiency.

Alaska would gain from billions of dollars in added revenue and economic benefits. Exporting oil would foster more oil exploration and development by making economically marginal ventures more lucrative. Oil export would also help offset the United States' trade deficit.

The potential vulnerability of the United States to embargoes - which led to the imposition of the ban - has been greatly mitigated. President Bush partially lifted the ban on exporting from California, recognizing that national security and scarcity of domestic oil no longer outweigh potential economic gains. Clearly, the time to lift the ban is now.

I urge you to support HJR 7. Lifting the ban on exporting oil is critical to the future economic security of our state.

CS FOR HOUSE JOINT RESOLUTION NO. 7(O&G)  
IN THE LEGISLATURE OF THE STATE OF ALASKA  
NINETEENTH LEGISLATURE - FIRST SESSION

BY THE HOUSE SPECIAL COMMITTEE ON OIL AND GAS

Offered:  
Referred:

Sponsor(s): FINKELSTEIN, Navarre, Grussendorf, Brown, B.Davis, Porter, Davies, Kubina

A RESOLUTION

1 Supporting the lifting of the ban on the export of Alaska North Slope crude oil,  
2 requesting the President of the United States to present to the United States  
3 Congress a recommendation that it is both in the national interest to lift the ban  
4 on the export of Alaska North Slope crude oil and discriminatory to the state  
5 to maintain the ban, and endorsing passage of H.R. 70 and S. 70, companion  
6 federal legislation to remove restraints on the export of that oil.

7 BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA:

8 WHEREAS the President of the United States has, by executive order, continued the  
9 ban on the export of Alaska North Slope crude oil contained in 50 U.S.C.S. Appx. 2406(d)  
10 (sec. 7(d), Export Administration Act of 1979) that prohibits, with tightly restrictive  
11 exceptions, the export of domestically produced crude oil transported by pipeline over the  
12 right-of-way granted by 43 U.S.C. 1652 (sec. 203 of the Trans-Alaska Pipeline Authorization  
13 Act); and

14 WHEREAS the ban on the export of Alaska North Slope crude oil effectively limits  
15 its sale to the domestic American market; and

1           WHEREAS Alaska North Slope crude oil required to be transported and delivered for  
2 sale in the domestic market incurs approximately \$2 - \$4 per barrel in higher transportation  
3 charges than if the oil could be exported to Pacific Rim countries; and

4           WHEREAS the higher transportation cost associated with shipping Alaska North Slope  
5 crude oil to the Gulf Coast states reduces the wellhead price of the oil; and

6           WHEREAS, over a seven-year period of time, Alaska would gain \$700,000,000 to  
7 \$1,600,000,000 in state taxes and royalties if the ban is lifted; and

8           WHEREAS lower wellhead prices make uneconomic the threshold for exploring for  
9 and producing all North Slope oil and, as a result, production from certain existing and newly  
10 discovered oil fields is currently uneconomic; and

11           WHEREAS the transportation cost savings from lifting the Alaska North Slope crude  
12 oil export ban will be available for reinvestment in domestic exploration, and development of  
13 marginal and newly discovered oil reserves will increase production and enhance the nation's  
14 energy and economic security; and

15           WHEREAS, according to the June 1994 U. S. Department of Energy report on  
16 exporting Alaskan North Slope crude oil, reserve additions in Alaska alone could be as large  
17 as 200,000,000 to 400,000,000 barrels, a size that roughly equals the known reserves in major  
18 North Slope fields, such as Point McIntyre; and

19           WHEREAS the export ban singles out Alaska, effectively penalizing the state and  
20 reducing revenue needed for vital state programs; and

21           WHEREAS, according to the U. S. Department of Energy June 1994 report, exporting  
22 Alaska North Slope crude oil to Pacific Rim nations will decrease the substantial trade deficit  
23 with nations that have expressed a strong interest in purchasing Alaska produced oil; and

24           WHEREAS the proposal to lift the Alaska North Slope crude oil ban has enjoyed  
25 strong support in the Legislature of the State of Alaska, the Legislature of the State of  
26 California, and the United States Congress; and

27           WHEREAS lifting the oil export ban would result in a net increase in United States  
28 employment from 11,000 to 16,000 jobs nationwide; and

29           WHEREAS, by the end of the decade, exporting Alaska North Slope crude oil could

1 generate from 10,000 to 25,000 jobs;

2 **BE IT RESOLVED** that the Alaska State Legislature supports lifting the ban on  
3 export of Alaska North Slope crude oil; and be it

4 **FURTHER RESOLVED** that the President is respectfully requested to present to the  
5 United States Congress a recommendation that it is both in the national interest to lift the ban  
6 on the export of Alaska North Slope crude oil and discriminatory to the state to maintain the  
7 ban; and be it

8 **FURTHER RESOLVED** that the Alaska State Legislature endorses H.R. 70 and S.  
9 70, pending companion federal legislation removing the restraints on the export of Alaska  
10 North Slope crude oil.

11 **COPIES** of this resolution shall be sent to the Honorable Bill Clinton, President of the  
12 United States; the Honorable Al Gore, Jr., Vice-President of the United States and President  
13 of the U.S. Senate; the Honorable Newt Gingrich, Speaker of the U.S. House of  
14 Representatives; the Honorable Bob Dole, Majority Leader of the United States Senate; to the  
15 Honorable Ted Stevens and the Honorable Frank Murkowski, U.S. Senators, and the  
16 Honorable Don Young, U.S. Representative, members of the Alaska delegation in Congress;  
17 and to all other members of the United States Senate and the United States House of  
18 Representatives serving in the 104th United States Congress.

# FISCAL NOTE

STATE OF ALASKA

BILL NO. HJR7

1995 LEGISLATIVE SESSION

Revision Date: Original Dept Affected: Natural Resources  
 Title: Opposing the ban on the export of Alaska North BRU: Resource Development  
 Slope crude oil: . . . Component: Oil & Gas Development  
 Sponsor: Reps. Finkelstein, Navarre, Grussendorf, Brown, B. Davis, Porter  
 Requestor: \_\_\_\_\_ Component Serial No. 439

Expenditures/Revenues	(Thousands of Dollars)					
OPERATING EXPENDITURES	FY96	FY97	FY98	FY99	FY00	FY01
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
<b>TOTAL OPERATING</b>	0.0	0.0	0.0	0.0	0.0	0.0
<b>CAPITAL EXPENDITURES</b>	0.0	0.0	0.0	0.0	0.0	0.0
<b>CHANGE IN REVENUES ( )</b>	0.0	0.0	0.0	0.0	0.0	0.0

FUND SOURCE	(Thousands of Dollars)					
1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other						
<b>TOTAL</b>	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY95) cost: \$ None

POSITIONS	FY96	FY97	FY98	FY99	FY00	FY01
FULL-TIME	0	0	0	0	0	0
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

**ANALYSIS:** (Attach a separate page if necessary)

There is no fiscal impact associated with implementation of this resolution.

Prepared by: Jim Eason, Director Phone: 762-2547  
 Division: Oil & Gas Date: 20-Jan-95  
 Approved by Commissioner: \_\_\_\_\_ Date: 1/30/95  
 Agency: Natural Resources

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# FISCAL NOTE

STATE OF ALASKA  
1995 LEGISLATIVE SESSION

BILL NO. HJR7

Revision Date: 1/27/95 Dept. Affected: Revenue  
 Title: A resolution urging the lifting of the ANS export ban BRU: Revenue Operations  
 Component: Oil and Gas Audit  
 Sponsor: Finkelstein, Grussendorf, Navarre  
 Requester: Finkelstein COMPONENT SERIAL NO. 115

**Expenditures/Revenues** (Thousands of Dollars)

OPERATING EXPENDITURES	FY 96	FY 97	FY 98	FY 99	FY 00	FY 01
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

<b>CAPITAL EXPENDITURES</b>						
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<b>CHANGE IN REVENUES ( )</b>	<b>80,000.0</b>	<b>40,000.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
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**FUND SOURCE** (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other						
<b>TOTAL</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Estimate of any current year (FY95) cost: \$ \_\_\_\_\_

**POSITIONS**

FULL-TIME						
PART-TIME						
TEMPORARY						

**ANALYSIS:** (Attach a separate page if necessary)

If the export ban were lifted, Alaska North Slope oil (ANS) in excess of U.S. West Coast needs could be shipped to the Far East instead of making the long and costly trip via Panama to the U.S. Gulf Coast. Assuming current prices and transportation costs mandating use of Jones Act tankers, lifting the ban would increase the wellhead value of ANS by over \$.50/bbl and thus increase State taxes and royalties. The window of opportunity to enhance State revenues by lifting the export ban is closing. ANS production is projected to continue to decrease so that the West Coast surplus of ANS is projected to disappear by FY 1997. When the West Coast ANS surplus disappears so will the direct benefit to the state treasury from lifting the export ban.

Prepared by: John Pilkinton Phone: 277-5627  
 Division: Oil and Gas Audit Division Date: 1/27/95  
 Approved by: *Deborah Vogt* Date: 1/27/95  
 Commissioner: Deborah Vogt  
 Agency: Revenue

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F:\M\THOMAS\THOMAS.005

H.L.C.

104TH CONGRESS  
1ST SESSION

**H. R. 70**

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IN THE HOUSE OF REPRESENTATIVES

Mr. THOMAS of California (for himself and Mr. YOUNG of Alaska) introduced the following bill; which was referred to the Committee on

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**A BILL**

To permit exports of certain domestically produced crude oil, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*

2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. EXPORTS OF ALASKAN NORTH SLOPE OIL.**

4 Section 28 of the Mineral Leasing Act (30 U.S.C.

5 185) is amended—

6 (1) by amending subsection (s) to read as fol-

7 lows:

FORM4 THOMAS THOMAS.005

H.L.C.

2

1 "EXPORTS OF ALASKAN NORTH SLOPE OIL

2 "(s)(1) Subject to paragraphs (2) and (3), notwith-  
3 standing any other provision of law (including any regula-  
4 tion), any oil transported by pipeline over a right-of-way  
5 granted pursuant to section 203 of the Trans-Alaska Pipe-  
6 line Authorization Act (43 U.S.C. 1652) may be exported.

7 "(2) Except in the case of oil exported to a country  
8 pursuant to a bilateral international oil supply agreement  
9 entered into by the United States with the country before  
10 June 25, 1979, or to a country pursuant to the Inter-  
11 national Emergency Oil Sharing Plan of the International  
12 Energy Agency, the oil shall be transported by a vessel  
13 documented under the laws of the United States and  
14 owned by a citizen of the United States (as determined  
15 in accordance with section 2 of the Shipping Act, 1916  
16 (46 U.S.C. App. 802)).

17 "(3) Nothing in this subsection shall restrict the au-  
18 thority of the President under the Constitution, the Inter-  
19 national Emergency Economic Powers Act (50 U.S.C.  
20 1701 et seq.), or the National Emergencies Act (50 U.S.C.  
21 1601 et seq.) to prohibit exportation of the oil."; and

22 (2) by striking subsection (u).

104TH CONGRESS  
1ST SESSION

# S. 70

To permit exports of certain domestically produced crude oil, and for other purposes.

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IN THE SENATE OF THE UNITED STATES

JANUARY 4, 1995

Mr. DOLE (for Mr. MURKOWSKI) (for himself, Mr. BREAUX, Mr. STEVENS, and Mr. HEFLIN) introduced the following bill; which was read twice and referred to the Committee on Banking, Housing, and Urban Affairs

---

## A BILL

To permit exports of certain domestically produced crude oil, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*  
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1 EXPORTS OF ALASKAN NORTH SLOPE OIL.**

4 Section 28 of the Act entitled "An Act to promote  
5 the mining of coal, phosphate, oil, oil shale, gas, and so-  
6 dium on the public domain", approved February 25, 1920  
7 (commonly known as the "Mineral Leasing Act") (30  
8 U.S.C. 185), is amended—

9 (1) by striking subsection (s) and inserting the  
10 following:

## 1           “EXPORTS OF ALASKAN NORTH SLOPE OIL

2           “(s)(1) Subject to paragraphs (2) and (3), notwith-  
3 standing any other provision of law (including any regula-  
4 tion), any oil transported by pipeline over a right-of-way  
5 granted pursuant to section 203 of the Trans-Alaska Pipe-  
6 line Authorization Act (43 U.S.C. 1652) may be exported.

7           “(2) Except in the case of oil exported to a country  
8 pursuant to a bilateral international oil supply agreement  
9 entered into by the United States with the country before  
10 June 25, 1979, or to a country pursuant to the Inter-  
11 national Emergency Oil Sharing Plan of the International  
12 Energy Agency, the oil shall be transported by a vessel  
13 documented under the laws of the United States and  
14 owned by a citizen of the United States (as determined  
15 in accordance with section 2 of the Shipping Act, 1916  
16 (46 U.S.C. App. 802)).

17           “(3) Nothing in this subsection shall restrict the au-  
18 thority of the President under the Constitution, the Inter-  
19 national Emergency Economic Powers Act (50 U.S.C.  
20 1701 et seq.), or the National Emergencies Act (50 U.S.C.  
21 1601 et seq.) to prohibit exportation of the oil”; and

22           (2) by striking subsection (u).

3

1 SEC. 2. EFFECTIVE DATE.

2 This Act and the amendments made by it shall take

3 effect on the date of enactment.

○

BP Testimony on the Lifting of the  
Export Ban on Alaska North Slope Crude  
Presented to the House Resources Committee  
February 1, 1995

Good morning, Mr. Chairman and members of the House Resources Committee. My name is Jim Palmer and on behalf of BP, I am pleased to provide the following testimony to the Alaska State Legislature. This testimony discusses the future of oil production on Alaska's North Slope, and how artificial federal constraints, such as the ban on its export, effect our ability to market it efficiently.

The history of Alaska North Slope oil production is one of remarkable achievement. In the past two decades, the oil industry has invested more than \$50 billion (in today's money terms) in realizing the Alaska North Slope's hydrocarbon potential.

We've nearly doubled the volume of oil we expect to recover from the region through a combination of technological advances and massive capital investment. In 1977, we expected to recover less than 10 billion barrels of oil from a single Alaska North Slope field. Today we're producing oil from a number of fields surrounding Prudhoe Bay. The industry has just produced our 10 billionth barrel of oil, yet we have a similar amount in booked and likely reserves. We postponed Prudhoe's inevitable decline by nearly four years, and today based on the State of Alaska's own forecasts, the North Slope is producing some 600,000 barrels more per day than were projected less than a decade ago.

These achievements are particularly remarkable given the competitive disadvantages of Alaska's North Slope -- disadvantages stemming primarily from harsh climatic conditions, remoteness, and federal restrictions on access to world crude oil markets imposed by the ANS export ban.

But today, the future of this critical domestic resource is in double jeopardy. Production is in decline, and margins that are the lifeblood of the ongoing investments that sustain production are being squeezed as never before by upward pressure on Alaska North Slope costs.

BP, along with our industry partners, have been at the forefront of the industry in doing everything we can to enable Alaska North Slope oil to compete effectively for investment capital in a fiercely competitive world oil market. We've left no stone unturned in searching for new ways to do more for less, and we've stemmed the tide of soaring costs in the late '80s and early '90s.

We've completely retooled our relationships with contractors and field partners. We've reduced our staff levels and overhauled the way we do business within BP. These efforts have reduced our operating costs and enabled us to actually reduce per-barrel operating costs in an atmosphere of declining production without sacrificing safety or our environmental performance.

Because of Alaska's high field development costs, as well as restricted access to world crude oil markets, netbacks on Alaska North Slope production are disproportionately low vis-a-vis those of lower-cost hydrocarbon areas of the world that have unrestricted access to crude oil markets.

Much of the Alaska North Slope production we currently project for the year 2000 depends on investments yet to be made.

More than ever before, the environment dictates that investments be directed to areas offering the highest margins at the lowest risks. With the end of the Cold War and so much of the world now competing for energy investment, returns on those investments have become the prime consideration as companies allocate increasingly scarce capital resources.

The competitiveness of these investments is crucial not only to BP and the Alaskan oil industry, but to the federal government and to the State of Alaska.

The federal government has a significant economic stake in the health of the domestic oil industry.

Many of the individual states also hold large stakes in the health of the domestic industry. Those with significant oil production, like Alaska and California, realize substantial tax and royalty revenues. They also benefit from a significant number of jobs both directly and indirectly linked to oil industry investment.

Much has been said and written about the hydrocarbon potential of Alaska's North Slope. There's a general consensus that the potential significantly exceeds reserves already produced on the company books. This potential comes from existing discoveries, additions and extensions that would be economic, given the availability of investment resources. We at BP concur with this assessment.

It is important to understand that noncompetitive margins have two effects. First, they reduce production of both existing and potential resources and remove cash from the system, making investments more difficult even in potentially profitable opportunities.

It's no longer enough that BP and the rest of the industry, through hard work and innovation, are reducing our costs. In order to maintain the competitiveness of Alaskan investments, it's critical that everyone with a stake in the future of the Alaskan oil industry does his and her part to help ensure its long-term health.

Federal restrictions on our ability to market Alaska North Slope oil where it will generate the highest possible returns hurt producers and the State of Alaska by reducing netbacks on North Slope oil. These restrictions are costly and an unnecessary burden on our ability to compete. Lifting these restrictions will help to restore Alaska's competitiveness for future investment by boosting the wellhead value of ANS crude.

The world has changed dramatically from the days when export restrictions on ANS crude were first imposed ... days of real and perceived supply shortages and an energy crisis mentality. Today, with open markets, improved trade flows, access to new oil and gas provinces and significant discoveries throughout the world, the supply-demand balance has reversed itself.

Restrictions on ANS exports that were based on fears of supply shortages are no longer appropriate. But failure to maintain investment because of loss of competitiveness will not help. Removing the restrictions and providing incentives will maximize domestic production if supply crises should occur in the future.

BP and the Alaskan oil industry will continue to do our part by doing all we can to make Alaska North Slope investments competitive. But we can no longer do it alone.

By directly or indirectly relieving the burden of unnecessary restrictions on our ability to compete, the federal government will not only demonstrate its commitment to do its part to enhance the competitiveness of Alaska North Slope oil, but also to help ensure the long-term health of this critical domestic resource.

BP strongly encourages the State of Alaska to support lifting the ANS export ban.

Thank you for this opportunity to address these important issues.

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Copies of minutes listed below were originally included in this file. The minutes are available on the legislative computer database. In order to save space copies of minutes have not been left in the files.

Mary Pagenkopf

House Resources  
2-1-95  
Tape #95-7, Side A, #000  
HJR7

HOUSE RESOURCES COMMITTEE



Alaska State Legislature  
House of Representatives

SUBJECT OF MEETING:  
H.J.R 7 - EXPORT OF AK OIL

DATE: 2/1/95

PLACE: ROOM 124

NAME	REPRESENTING	BUSINESS/PERSONAL MAILING ADDRESS	ZIP	(H) PHONE	(W) PHONE	DO YOU WANT TO TESTIFY?		WHAT SUBJECT/ WHICH BILL?
						Y	N	
Tom Palmer	BP					<input type="radio"/>	<input type="radio"/>	
Beverly Ward	Arco					<input checked="" type="radio"/>	<input type="radio"/>	HJR 7
						<input type="radio"/>	<input type="radio"/>	
						<input type="radio"/>	<input type="radio"/>	
						<input type="radio"/>	<input type="radio"/>	
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						<input type="radio"/>	<input type="radio"/>	

HOUSE COMMITTEE REPORT

(9)

Date Referred: February 1, 1995

FURTHER REFERRALS:

Finance

Date of Committee Action: 2/1/95

The RESOURCES Committee considered:

HJR 7

HOUSE JOINT RESOLUTION NO. 7

EXPORT OF ALASKA OIL

Opposing the ban on the export of Alaska North Slope crude oil; endorsing federal legislation to remove restraints on the export of Alaska North Slope oil; requesting the Congress of the United States to pass legislation to permit the export of Alaska North Slope crude oil; and urging the President of the United States to support the legislation to lift the ban on the export of Alaska North Slope crude oil.

recommends it be replaced  
with the following committee substitute

CSHJR 7 (O+G)

the same title  
 a new title

additional referral to \_\_\_\_\_ Committee

attached amendment(s)

ADOPTS: \_\_\_\_\_ Letter of Intent

ATTACHES NEW FISCAL NOTE(S): \_\_\_\_\_ (Dept)

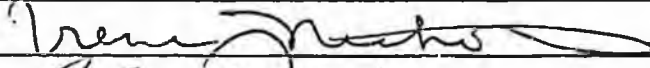
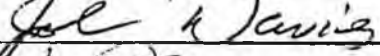

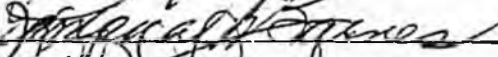

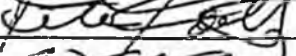
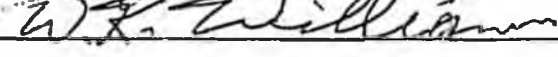
APPROVES PREVIOUS: \_\_\_\_\_ (Dept/Date)

fiscal note(s) \_\_\_\_\_


fiscal note(s) \_\_\_\_\_

zero fiscal note(s) \_\_\_\_\_

zero fiscal note(s) DNR Rev  
2/1/95

SIGNING WITH RECOMMENDATIONS		DP	DNP	NR	AM
	Nicholia	X			
	Davies	X			
	Ogden	X			
	Barnes	X			
	Austerman	X			
	Kott	X			
	Williams	X			

CHAIR'S SIGNATURE



Williams